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2017 PROJECTION

'COUNTRY'S ECONOMY ON A STRONGER FOOTING'

Growth prospects remain robust, says economist

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THE Malaysian economy is on a stronger footing, which augurs well for another year of healthy growth in 2017, economists said.

The country's economic fundamentals remained intact, and should see improvements in gross domestic product (GDP) growth this year and the next, albeit at a slower pace, said Universiti Utara Malaysia Asian Research Institute of Banking and Finance director Dr Irwan Shah Zainal Abidin.

"Growth prospects remain robust, the inflation rate is stable and the unemployment rate is still in the full employment category," he told the *New Straits Times*.

Irwan said the financial sector also remained solid and the country's monetary policy was still ahead of the curve.

According to *The Economist*, Malaysia was ranked the 8th fastest

growing economy last year and was expected to maintain the position this year.

Its interactive table of economic and financial indicators last week predicted Malaysia's GDP growth to increase to 4.6 per cent this year.

MIDF Amanah Investment Bank Bhd chief economist Dr Kamaruddin Mohd Nor said private consumption had shown positive growth based on indicators such as wholesale and retail trade.

"A combination of the stable domestic political scene, supportive policies and good institutional support are among the key factors that helped Malaysia boost economic growth amid a subdued external sector," he said.

He said MIDF was cautiously optimistic that the growth momentum would continue in 2017 at 4.3 per cent.

Bank Islam Malaysia Bhd, meanwhile, had forecast the Malaysian economy to grow at 4.4 per cent in 2017 from an estimated 4.3 per cent last year.

"This is premised on the improvement or normalisation of private consumption and sustained increase in development expenditure by the government," its chief economist, Dr Mohd Afzanizam Abdul Rashid, said.

Irwan said as Malaysia entered the

second year of the 11th Malaysia Plan, many investors from China, Japan, the United States and Germany would be keen to park their capital in the country.

Sectors in focus included services, manufacturing, tourism, education and construction, he added.

On the ringgit, Irwan said Bank Negara Malaysia's (BNM) recent measures were the right move at the right time.

"The bottom line is that monetary policy flexibility must continue. For as long as the depreciation of the ringgit does not spill over to the real economy, the situation remains in control," he said.

"Furthermore, BNM has ample reserves to manoeuvre the ringgit if any unforeseen circumstances occur."

Kamaruddin said the currency should gain its footing this year with subsiding external developments.

"We still maintain our average of RM4.20 per US dollar in 2017."

On *The Economist* ranking, Afzanizam said regional GDP growth comparisons were seldom straightforward due to the each country's unique conditions and stage of development.

He said it was better to focus on how Malaysia could harness its resources to improve total factor productivity contribution to growth.